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Mr. William F. Caton
Acting Secretary
Federal Communications Commission
1919 M Street, NW
Washington, DC 20054

Re: PR Docket No. 93-61, RM-8013
Automatic Vehicle Monitoring

Dear Mr. Caton:

On behalf of Mark IV Industries, Ltd., I.V.H.S. Division ("Mark IV"), this is to confirm pursuant to Section 1.1206 of the Commission's Rules that Kelly P. Gravelle, Vice President of Mark IV, and I met on September 14, 1994, with Ralph A. Haller, Chief, Private Radio Bureau, F. Ronald Netro and Kelly Cameron, Esq. The topics of discussion included positions previously presented in the pleadings of Mark IV in the above-referenced docket regarding channel allocations, attenuation standards, frequency stability requirements and height/power restrictions with respect to the design and operation of short-range AVI systems.

An original and one copy of this letter are submitted herewith. Copies of this letter are being furnished to the participants as provided in the Commission's rules.

In the event there are any questions concerning this matter, please communicate with the undersigned.

Very truly yours,

George Y. Wheeler

George Y. Wheeler

Enclosure

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Before the
FEDERAL COMMUNICATIONS COMMISSION
Washington, D.C. 20554

In the Matter of	)	
	)	
Billed Party Preference	)	CC Docket No. 92-77
for 0+ InterLATA Calls	)	

ERRATA

The American Public Communications Council ("APCC") hereby submits corrections to errors in its Further Reply Comments filed in this proceeding yesterday, September 14, 1994.

The attached corrected pages: (1) correct typographical errors on the cover page of the filing and the cover page of Attachment 2; (2) insert the words "per year" after cost figures on pages 1, 2, and 6; (3) insert the missing words "increasing even at payphones" in footnote 15, page 18; (4) change "commission payments" to read "commission payment losses" on line 6 of page 21; (5) underline the heading on page 29; and (6) insert a missing citation on page 31.

For the convenience of the Commission, corrected copies of APCC's complete filing are also included. These contain slight changes in pagination.

Respectfully submitted,

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Attorneys for the American Public Communications Council

Dated: August 31, 1994

Before the
FEDERAL COMMUNICATIONS COMMISSION
Washington, D.C. 20554

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FURTHER REPLY COMMENTS OF THE AMERICAN PUBLIC COMMUNICATIONS COUNCIL

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Attorneys for American Public Communications Council

Dated: September 14, 1994

Exhibit 2

Supplementary study on "Quantifying the Costs of Billed Party Preference" by Dr. Charles L. Jackson and Dr. Jeffrey H. Rohlfs of Strategic Policy Research

Before the
FEDERAL COMMUNICATIONS COMMISSION
Washington, D.C. 20554

In the Matter of	)	
	)	
Billed Party Preference	)	CC Docket No. 92-77
for 0+ InterLATA Calls	)	

FURTHER REPLY COMMENTS OF THE AMERICAN PUBLIC COMMUNICATIONS COUNCIL

The American Public Communications Council, Inc. ("APCC"),[1] hereby replies to comments submitted in response to the Commission's Further Notice of Proposed Rulemaking ("Further Notice") in this proceeding, FCC 94-117, released June 6, 1994.

SUMMARY

The comments filed in response to the Further Notice confirm that the costs imposed by the Commission's billed party preference ("BPP") proposal far exceed its benefits. Looking only at the current local exchange carrier ("LEC") estimates of their BPP implementation costs, LEC-estimated costs alone total at least $750 million per year -- more than 50% higher than the Commission's $420 million estimate for all parties' costs.

1 APCC is a trade association made up of more than 800 independent (non-telephone company) providers of pay telephone and public communications equipment, services, and facilities. (APCC is now an independent association and is no longer affiliated with the North American Telecommunications Association.) APCC seeks to promote competitive markets and high standards of service for pay telephones and public communications. APCC has participated in each phase of these proceedings, beginning with Bell Atlantic's 1989 Petition for Rulemaking.

But the true costs of BPP are far higher than even this exorbitant number. As a supplement to the Jackson-Rohlfs study submitted with APCC's Further Comments, and based on a review of record data, Dr. Charles L. Jackson and Dr. Jeffrey H. Rohlfs of Strategic Policy Research have developed a comprehensive estimate of the total costs of BPP. They conclude that the real costs of BPP, which include several categories of costs not estimated by the Commission or other parties, will be roughly $1.5 billion per year. This is twice as high as the current LEC cost estimates, and far higher than any reasonable estimate of the value of the benefits that can be expected from BPP.

The Jackson-Rohlfs supplementary study estimates that LEC costs will total about $1.6 billion in one-time costs and about $500 million in recurring costs, for a total annual cost of close to $1 billion per year. In addition, however, Jackson and Rohlfs demonstrate that substantial costs will be incurred by other parties as a result of BPP. Interexchange carriers ("IXCs") and operator service providers ("OSPs"), for example, will incur major marketing costs both on a one-time and recurring basis -- a point that was not been considered by the Commission in its Further Notice analysis. Jackson and Rohlfs estimate that these costs will exceed $300 million on an annual basis.

Other carriers, such as cellular carriers and competitive access providers ("CAPs") also will incur significant costs, estimated at about $15 million annually. Furthermore, consumers will incur paperwork costs, estimated at $16 million annually.

a comprehensive estimate of the total costs of BPP.[3] This estimate was developed using the methodology described in Jackson and Rohlfs' initial study. The Jackson-Rohlfs methodology is specifically designed to address several categories of costs that were not included in either the estimate given in the Further Notice or in the estimates developed by individual LECs. For example, the Jackson-Rohlfs study includes estimates of IXCs' increased marketing costs resulting from BPP.

Using as a "base case" the assumptions stated in the Further Notice regarding the traffic volumes subject to BPP, the Jackson-Rohlfs study concludes that the real costs of BPP will be roughly $1.5 billion per year -- twice as high as the LEC cost estimates currently in the record, and far higher than any reasonable estimate of the value of the benefits that can be expected from BPP. J-R Supp. at 38.

A. Implementation Costs are Higher

1. LEC Costs

The Further Notice estimated that LEC implementation costs -- virtually the only costs that the Further Notice included in its quantification of BPP costs -- would total $380 million per year.[4]

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[3] The study, entitled "Quantifying the Costs and Benefits of Billed Party Preference," is attached to these Further Reply Comments as Exhibit 2. The supplementary study is cited herein as "J-R Supp."

[4] The Further Notice did also attribute a total of $35 million to IXC implementation of BPP. As discussed below, this estimate did not include any estimate of IXC marketing costs. The Further Notice did not discuss any estimates of costs incurred by

all other things being equal, consumers would prefer not to dial an access code to make operator-assisted calls, it is not at all clear that consumers will "be willing to forego substantial savings in return for this simplicity." Sprint at 8. Indeed, the evidence is that access code dialing has increased precisely because consumers want to save money by avoiding higher-priced presubscribed OSPs. For example, MCI's 1-800-COLLECT campaign has successfully exploited the idea that consumers will call an access code in order to receive a discount on collect calls. If there were a major inconvenience associated with access code dialing, consumers would not be increasing their use of alternative dialing sequences to the levels reported by a wide spectrum of parties.[15]

In summary, the comments and data submitted by other parties refute Sprint's ill-grounded claims regarding the inconvenience of access code dialing. The record certainly does not support the proposition that consumers would be willing to spend hundreds of millions of dollars per year to avoid dialing access codes.

Sprint and some other parties argue that access code dialing is made more difficult because of non-compliance with the Telephone Operator Consumer Services Improvement Act of 1990 (TOCSIA). However, the study cited by Sprint dates from July 1992, a time when TOCSIA's unblocking requirements were not fully phased in. At that time, TOCSIA's 10XXX unblocking requirement had not yet

[15] Indeed, consumers are willing to dial access codes even, when there are little or no cost savings involved. As TCG's data show, dial-around is substantially increasing even at payphones presubscribed to AT&T -- a carrier not generally viewed as charging excessive rates.

its hotels. Hilton Hotels Corporation at 2.

AT&T reports that roughly 20% of commission payments are made to governmental or quasigovernmental entities. AT&T at 13-14. As AT&T explains, these entities would recoup most of their lost commission revenue through higher taxes and user fees.

To the extent that commission payment losses are not offset, they will result in decreased availability of public telephone service, as discussed above. In the case of airports, for example, consumers would face either reduced payphone service or increased prices for parking, snacks, etc. Airports Association Council International at 9.

For all these reasons, Sprint's contention that the Commission has been too conservative in its estimate of commission payments "saved" as a result of BPP is simply beside the point. Whether commission payments average 12%, as the Commission estimated, or 20-27%, as Sprint now claims, the fact remains that these commission payments are financing the deployment of telephones. To the extent that they are removed, payphone owners and location owners will either find other sources of funding by increasing the price of other services to users, or else reduce their investment in public telephones. Either way, the public will lose.

D. The 3d Tier OSP Rate Differential Can Be More Cost-Effectively Addressed Through Other Means

Elimination of the rate differential between AT&T, MCI, and Sprint and "third-tier OSPs" would produce few, if any, clear benefits which are not already being obtained or obtainable by rate ceilings at levels which are calculated to ensure that consumers will not perceive that they are being "gouged" when they receive their telephone bills. APCC is willing to work with the Commission to develop an appropriate methodology for quantifying reasonable rate ceilings.

IV. THE FCC MUST ADDRESS THE FUNDAMENTAL STRUCTURAL PROBLEM IN THE PAYPHONE MARKET

While APCC disagrees with virtually all of the points raised by Sprint in its comments, there is one point on which Sprint and APCC agree: the current differences in treatment of IPPs and LEC payphones must be addressed by the Commission. Sprint at 35. As we have explained in these and earlier submissions, the current economics of the independent payphone business is largely a result of the dual regulatory regime under which IPP providers currently must compete with LEC payphones. Under this system, LEC payphone operations are integrated into the LECs' exchange monopolies and can operate without experiencing the full economic effect of the real cost of operating a payphone business. Further, under this system LECs can set prices for interconnection with the local network and other bottleneck services without worrying about how those prices will effect their own payphone operations. Only their competitors are affected.[18]

[18] In arguing that LECs should be prescribed the same BPP compensation as IPP providers, Ameritech disregards these fundamental differences in the regulatory status of LEC payphones and IPPs. Ameritech at 5-6. LECs cannot be entitled to any BPP-related compensation until the regulatory status of their payphone operations is reformed to place their payphones on an equal footing

compensation for 1-800-subscriber calls.

When the Commission initiated this docket, APCC pointed out that a petition to address the fundamental structural inequities of the current regulatory regime had already been pending for 3 1/2 years. See Attachment 1 to APCC's Petition to Expand the Scope of Rulemaking, filed May 28, 1992. APCC explained that it was not reasonable to exacerbate the existing price squeeze on IPP providers at a time when the Commission had not made any move to address the fundamental problem that created the price squeeze in the first place. Now, 3 1/2 years has stretched to more than six years. In the intervening period, the Commission has moved a great deal further in its exploration of BPP, but still has made no move to address the structural problems in the payphone market.

Therefore, with even greater urgency, APCC repeats what it said to Chairman Sikes in 1992: The Commission must, as a phase of its examination of billed party preference, address the disparate regulatory treatment accorded LEC and non-LEC payphones. It is legal error to impose BPP on IPP providers without addressing this structural inequity.